

Corporate Governance Statement of the Stockmann Group

Stockmann complies in its decision-making and corporate governance with the Finnish Companies Act, the Finnish Corporate Governance Code 2010, aimed at Finnish listed companies on the Helsinki exchange (NASDAQ OMX Helsinki Ltd), the rules of its Articles of Association and other applicable legislation. The Code can be accessed on the website of the Securities Market Association at cgfinland.fi. Stockmann adheres to the Code in full.

This Corporate Governance Statement of the Stockmann Group is compiled in accordance with the Code's recommendation 54 and it is also accessible on the company's website stockmanngroup.fi. The corporate bodies of the parent company Stockmann plc, which are responsible for the Group's administration and operations, are the general meeting of shareholders, the Board of Directors and the chief executive officer (CEO).

General meeting of shareholders

The highest decision-making body of Stockmann plc is the general meeting of shareholders. The Annual General Meeting shall be held each year before the end of June. Stockmann has two series of shares, of which each Series A share confers ten votes at a general meeting and each Series B share one vote. The Notice of Annual General Meeting, the documents and the proposals for the decisions at the Annual General Meeting are accessible for the shareholders at least three weeks prior to the meeting at the company's head quarter and at the website stockmanngroup.fi.

The Annual General Meeting approves the company's annual financial statements, decides on the dividend and the election of members of the Board of Directors as well as decides on release from responsibility for the members of the Board of Directors and the CEO.

Board of Directors

Under Stockmann's Articles of Association, the company's Board must have at least five and no more than nine members. The term of Board members begins from the Annual General Meeting in which they are elected and ends at the conclusion of the subsequent Annual General Meeting. The Board of Directors elects amongst its members a chairman and vice chairman. The present Board has eight members, which were elected at the Annual General Meeting 2011 and of which none is full-time: as Board members continued chairman Christoffer Taxell, vice chairman Erkki Etola and as members Kaj-Gustaf Bergh, Eva Liljebloom, Kari Niemistö, Charlotta Tallqvist-Cederberg and Carola Teir-Lehtinen. Dag Wallgren was elected as a new member. M.Sc. (Econ.) Henry Wiklund (b. 1948), managing director for Svenska litteratursällskapet i Finland r.f. 1986–2008, was member of the Board and member of the Board's Appointments and Compensation Committee until the Annual General Meeting 2011.

To be elected as a member of the Board, a person must have the qualifications required for the duties and sufficient time to carry them out. The majority of Board members must also be independent of the company, and at least two of these members must also be independent of major shareholders of the company. Additional information of the members of the Board of Directors is available on the following pages.

Duties of the Board

The duties and liabilities of the Board are determined by the Articles of Association, the Limited Liability Companies Act and other applicable legislation. The Board of Directors attends to the company's administration and ensures the appropriate organisation of its

operations. The Board must also ensure that supervision of the company's accounting and financial management is appropriately arranged.

It is the Board's duty to promote the interests of the company and all of its shareholders. In order to carry out its duties, the Board:

- convenes general meetings of shareholders
- directs and oversees the company's management
- appoints and discharges the company's chief executive officer
- approves the chief executive officer's service agreement and other benefits
- approves the salaries and other benefits of the executives in the Group Management Committee
- approves the company's risk management principles
- approves the company's long-term strategic and financial objectives
- approves the budget
- decides on significant individual investments and corporate and property acquisitions.

The Board conducts an annual internal self-evaluation of its working practices under recommendation 7 of the Finnish Corporate Governance Code.

The Board of Directors has adopted rules of procedure defining the principles governing the Board's composition and method of election, its tasks, decision-making procedure and meeting practice as well as the principles of the Board's self-assessment.

Board meetings

The Board of Directors convened 9 times in 2011. The rate of attendance was 100 per cent. Of the company's active management, the following regularly attend the Board Meeting: the CEO, the executive vice presidents and the director of legal affairs acting as secretary at the meeting, all of whom are not members of the Board. Two staff representatives also attend, also not members of the Board. One of these is elected by Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees.

Board Committees

The Board has established an Appointments and Compensation Committee. It attends to the duties defined in recommendations 28–30 of the Finnish Corporate Governance Code as being the responsibility of the Appointments Committee, and in recommendations 31–33 as being the responsibility of the Compensation Committee. The Board attends to the duties of the Audit Committee referred to in recommendations 24–27.

The duties of the Appointments and Compensation Committee are the preparation of appointment and compensation matters concerning the CEO, the executive vice presidents and the other members of the Management Committee, preparations concerning the election of members of the Board of Directors for proposal to the general meeting of shareholders, and the preparation of compensation matters concerning the Board of Directors. The Committee meets as necessary, but at least once a year.

The Appointments and Compensation Committee comprises four members of the Board of Directors, who are independent of the company. In March 2011 the Board re-elected Christoffer Taxell as the Committee's Chairman, and elected managing director Erkki Etola, managing director Charlotta Tallqvist-Cederberg and managing director Dag Wallgren as its other members. The CEO has the right to attend meetings of the Committee.

The Committee met six times in 2011. The rate of attendance was 100 per cent.

Chief executive officer

The Board of Directors appoints the company's chief executive officer (CEO) and decides on the terms and conditions of the post. These terms and conditions are set forth in writing in a CEO agreement. The CEO is in charge of the company's line operations in accordance with the instructions and regulations issued by the Board of Directors. Hannu Penttilä has been the company's CEO since 1 March 2001. He has been in Stockmann's service since 1978.

Other executives

Apart from the CEO, the Board of Directors appoints the executive vice presidents and the other members of the Management Committee. Maisa Romanainen, director of the Department Store Division and Pekka Vähähyppä, chief financial officer (CFO), have acted as the company's executive vice presidents since 6 November 2008.

The Group's Management Committee comprises the CEO, the executive vice presidents, other directors of the divisions, the development director for the Group's international operations, as well as the director of legal affairs, who acts as secretary to the Management Committee. Headed by the CEO, the Management Committee is responsible for directing line operations and for preparing strategic and financial plans.

Audit

The auditors elected by the general meeting examine the company's accounting records, financial statements and administration. The company has a minimum of one and a maximum of three auditors, who have a minimum of one and a maximum of three deputies. The Annual General Meeting of 2011 elected Jari Härmälä, Authorized Public Accountant, Stockmann's regular auditor since 2007 and Henrik Holmbom, Authorized Public Accountant, Stockmann's regular auditor since 2003, representing KPMG, a firm of authorized public accountants, as regular auditors and KPMG Oy Ab, Authorized Public Accountants, as the deputy auditor. As auditors for the company's subsidiaries in different countries have acted member firms of the KPMG network of independent firms located in the countries in question.

Main features of the internal control and risk management systems pertaining to the financial reporting process

Stockmann's risk management principles are approved by Stockmann's Board of Directors. Assessment of the risks pertaining to financial reporting and the related management measures are determined as a part of the risk management process. Stockmann's

internal control is linked to the risk management process so that some of the aspects which are subject to control are selected on the basis of risk assessments. An essential part of internal control is the Internal Audit, which operates as a separate unit within Corporate Administration under the CEO and reports its observations to the Board of Directors. The Internal Audit is examining and assessing the effectiveness of business operations and internal control as well as producing information and recommendations to management on how to enhance these functions.

The Group's CFO and the Finance and Control Department are responsible for ensuring that the Group's financial reporting is undertaken. Group-level directions are complied with in Stockmann's financial reporting. The reporting is based on information from commercial and administrative processes and data produced by the financial management systems. The Group's Finance and Control Department determines the control measures applied to the financial reporting process. These control measures include various process descriptions, reconciliations and analyses used for ensuring the validity of the information used in the reporting and of the reporting itself.

The financial reporting results are monitored and any anomalies in relation to forecasts or in comparison with the previous year's figures are analysed on a regular basis. Such analyses are used to detect any reporting errors and to produce materially accurate information on the company's finances.

All of the divisions and the Group's Finance and Control Department are responsible for the effectiveness of control within their own sphere of responsibility. The Group's Finance and Control Department is responsible for assessments of the reporting processes. In addition, Internal Audit conducts audits of the business and financial reporting processes. The company's Board of Directors is responsible for the implementation of internal control in regard to financial reporting.

Approved by the Board of Directors of Stockmann plc on 8 February 2012

Board of Directors



Christoffer Taxell

b. 1948, LL.M.

Chairman for the Boards of Föreningen Konstsamfundet r.f. and Stiftelsen för Åbo Akademi
Chairman of the Board since 2007, member since 1985
Chairman of the Board's Appointments and Compensation Committee
Independent of the company
Shareholding: A 2 375, B 12 868



Erkki Etola

b. 1945, M.Sc.(Eng.)

Managing director, Oy Etola Ab
Vice Chairman of the Board since 1992, member since 1981
Member of the Board's Appointments and Compensation Committee
Independent of the company and major shareholders
Shareholding: A 1 996 767, B 1 055 052



Kaj-Gustaf Bergh

b. 1955, LL.M., B.Sc.(Econ.)

Managing director, Föreningen Konstsamfundet r.f.
Member of the Board since 2007
Independent of the company
Shareholding: A 1 077, B 6 673



Eva Liljeblom

b. 1958, D.Sc.(Econ.)

Rector, professor, Hanken School of Economics
Member of the Board since 2000
Independent of the company and major shareholders
Shareholding: A 257, B 6 898



Kari Niemistö
b. 1962, M.Sc.(Econ.)

Managing director, Selective Investor Oy Ab
Member of the Board since 1998
Independent of the company and major shareholders
Shareholding: A 3 168 650, B 1 026 838



Charlotta Tallqvist-Cederberg
b. 1962, M.Sc.(Econ.)

Managing director, CTC Consulting Oy Ab
Member of the Board since 2010
Member of the Board's Appointments and Compensation Committee
Independent of the company and major shareholders
Shareholding: B 3 078



Carola Teir-Lehtinen
b. 1952, M.Sc.

Professional Board member
Member of the Board since 2004
Independent of the company and major shareholders
Shareholding: B 7 832



Dag Wallgren
b. 1961, M.Sc.(Econ.)

Managing director, Svenska litteratursällskapet i Finland r.f.
Member of the Board since 2011
Member of the Board's Appointments and Compensation Committee
Independent of the company
Shareholding: B 1 762



Rita Löwenhild
b. 1952, Chief shop steward, Department Store Division

Personnel representative on the Board, elected by the Group Council



Minna Mähönen
b. 1972, Planning manager, ladies fashion, Department Store Division

Personnel representative on the Board, elected by Stockmann's senior salaried employees

Stockmann plc shares and options in the personal ownership as well as in the ownership of their related persons at 31 December 2011. Additional information on the main job experience and principal positions of trust of the Board of Directors, up-to-date information on their shareholdings as well as the rules of procedure of the Board and the Board's Appointments and Compensation Committee are available on the Stockmann Group's website at stockmanngroup.fi.

*Personnel representatives on the Board 1.4.2011–31.3.2012.
At meetings of the Board of Directors, personnel representatives have the right to attend and to speak. They are not members of the Board of Directors.*

Management Committee



Hannu Penttilä

b. 1953, LL.M.
CEO 2001–
Joined Stockmann in 1978

Essential job experience:

Stockmann, executive vice president 1994–2001, director for the Department Store Division 1992–2001, director for the department store in Helsinki 1986–1991, director for the department store in Tapiola, Espoo 1985–1986, lawyer 1978–1984; Ministry of Labour, inspector, junior ministerial secretary 1976–1978

Shareholding: A 111, B 15 082

Options: 2006C 13 600, 2010A 40 000, 2010B 27 000



Pekka Vähähyppä

b. 1960, M.Sc.(Econ.), EMBA
Executive vice president and CFO 2008–
Joined Stockmann in 2000

Essential job experience:

Svenska Nestlé, CFO 1997–2000; Nestlé Norden, Head of Finance and Control 1997–2000; Suomen Nestlé, CFO 1994–1997; OKO Venture Capital, director 1990–1994

Shareholding: B 5 813

Options: 2006C 6 800, 2010A 24 000, 2010B 16 000



Maisa Romanainen

b. 1967, M.Sc.(Econ.)
Executive vice president and director for the Department Store Division 2008–
Joined Stockmann in 1996

Essential job experience:

Stockmann, director, department stores in Finland and the Baltic countries 2008, director for the department stores abroad 2005–2007, director for the Tallinn department store 2000–2005, director for the Smolenskaya department store, Moscow 1998–2000

Shareholding: B 1 500

Options: 2006C 4 250, 2010A 24 000, 2010B 16 000, 2008 Loyal Customer share options 244



Göran Bille

b. 1955, B.Sc.(Econ.)
Managing director, Lindex 2004–
Joined Stockmann in 2007

Essential job experience:

H&M Rowells, managing director 2003–2004; H&M, country manager, Sweden 1998–2003, buying manager 1987–1998

Shareholding: B 15 877

Options: 2006C 6 800, 2010A 24 000, 2010B 16 000



Jukka Naulapää

b. 1966, LL.M.

Director, legal affairs 2006–
Joined Stockmann in 1998

Essential job experience:

Stockmann, secretary to the management committee 2001–, lawyer 1998–2006; Law Firm Hepo-Oja & Lunnas Oy, attorney 1991–1998

Shareholding: B 50

Options: 2010A 12 000, 2010B 8 000, 2010B 8 000, 2008 Loyal Customer share options 164



Terhi Okkonen

b. 1961, EMBA

Managing Director, Seppälä until 31 December 2011, as of 1 January 2012 at the Department Store Division's service
Joined Stockmann in 1991

Essential job experience:

Stockmann, sales director for the Helsinki department store 1998–2005, director for the Itäkeskus department store, Helsinki 1996–1997, buying manager 1991–1996

Shareholding: B 1 633

Options: 2006C 6 800, 2010A 18 000, 2010B 12 000



Lauri Veijalainen

b. 1968

Development Director for the Group's international operations 2010–
Joined Stockmann in 2010

Essential job experience:

IKEA, Russia and CIS countries, CFO 2003–2010; Skanska Moscow, CFO and administrative director 1998–2003

Shareholding: B 1 125

Options: 2010A 18 000, 2010B 12 000

Stockmann plc shares and options in the personal ownership as well as in the ownership of their related persons at 31 December 2011. Additional information on the main job experience and principal positions of trust of the CEO and Management Committee, up-to-date information on their shareholdings and Remuneration Statement 2011 are available on the Stockmann Group's website at stockmanngroup.fi.



Nina Laine-Haaja

b. 1961, EMBA

Managing Director, Seppälä as of 1 January 2012
Joined Stockmann in 1986

Essential job experience:

Seppälä, director, store operations 2006–2011, member of the management committee 2001–, field manager 1994–2006

Shareholding: B 110

Options: 2006C 3 400, 2010A 6 000, 2010B 4 000, 2008 Loyal Customer share options 66